

The Dimensions of Displacement

Baseline Data for Managing Neighborhood Change

in Somerville's Green Line Corridor

February 2014

www.mapc.org/neighborhood-change

Executive Summary

The Green Line Extension through the City of Somerville will dramatically improve transit mobility for both residents and businesses. A trip to Boston that currently requires multiple transfers and modes will soon be possible with a “one-seat ride” on the Green Line, saving time, increasing the convenience of transit, and reducing auto reliance. New growth attracted to the Green Line corridor by this improved accessibility may expand housing opportunities, increase ridership and fare revenue, and bolster municipal finances with new tax revenue. However, previous experience in Somerville and across the country suggests that the creation of new transit service may result in unintended negative consequences if rising rents and land values cause the displacement of low- and moderate-income residents. Specifically, affected households may relocate to less-accessible areas where housing prices are lower but transportation costs are higher, and this movement of transit-dependent populations away from areas near stations may result in lower-than-anticipated ridership levels. Furthermore, widespread displacement would profoundly damage the city's social and cultural fabric.

It is also clear that the development and housing trends that contribute to these outcomes begin before construction even commences. In a city like Somerville, these trends may be influenced by many forces in addition to the new transit line. As a result, policies designed to counter the potential displacement effects of new transit must also be put in place well before the transit service begins, and should anticipate that the pace of real estate activity will only accelerate as the initiation of service approaches.



The Metropolitan Area Planning Council (MAPC) prepared this analysis in partnership with the City of Somerville, Somerville Community Corporation, Somerville Transportation Equity Partnership, Friends of the Community Path, and Massachusetts Smart Growth Alliance to illuminate the magnitude of displacement risk associated with the Green Line extension (GLX) in order to help focus action on the strategies with the best potential to mitigate that risk. The report first provides a baseline analysis establishing the current demographic and residential context into which the GLX is being introduced. The report then focuses on four mechanisms by which displacement can occur, and estimates the magnitude of displacement potential from each based on development patterns in comparable neighborhoods. An appendix supplements this analysis with details on modeling assumptions and calculations.

Our analysis suggests that higher rental costs and a shift from rental properties to condominiums will occur in the GLX corridor over the next ten to fifteen years. Interventions to mitigate the impacts of those changes on vulnerable populations are likely to have the greatest impact before the GLX is completed, and therefore must remain a primary focus for the next five years or more.

Key Findings

- **Increased overall housing production is critical to maintaining Somerville's affordability.** MAPC's population and housing demand projections anticipate demand for at least 6,300 housing units in the City of Somerville from 2010 to 2030, and as many as 9,000 units over the same period. Of this demand, about 35% of new units will be needed for low-income households, and the balance will be market-rate. If production lags substantially behind demand, prices may rise even more dramatically than they have over the past ten years, with the greatest pressure felt by low- and moderate-income households.
- **Increases in residential rents near new transit stations pose the greatest risk of displacement.** Transit-induced rent increases are projected to be highest around Ball Square, College Avenue, Route 16, Union Square, and Washington Street, where monthly rents could increase more than 25% and as much as 67%. Overall, we expect that 700 to 800 lower-income renter households will be forced to dedicate over 30% of their income to housing costs, and conditions will worsen for the 3,600 lower-income renters in the GLX corridor who are already housing cost-burdened.
- **Condominium conversion presents substantial risk of displacement in some station areas, but less so in others.** Conversion of single-owner two- and three-family homes to condominiums may impact as many as 475 renter households currently occupying those structures, with the greatest number of at-risk units in the Gilman Square, Washington Street, and Union Square station areas.
- **Nearly one twelfth of the city's designated affordable housing units are at risk of losing their affordability restrictions by 2020.** In the City of Somerville, there are 272 subsidized rental apartments that could be converted to market-rate housing before 2020, 8.4% of the city's total stock of designated affordable units. Unfortunately, nearly all of these units with expiring affordability restrictions are in GLX station areas where they will face great pressure for conversion to market rents. If real estate conditions heat up significantly, the prospect of converting expiring units to market rate will be even more enticing to owners.
- **Windfall increases in residential property values are likely to have a limited impact on tax bills or municipal tax receipts.** Average property values within walking distance of new T stations may increase 16% to 25% following the introduction of transit. It is possible that affected owners could see increases in their annual property tax bill in the range of \$540 to \$870, equivalent to less than 2% of the annual income for most of the 2,000 lower-income homeowners in Somerville. However, state law limits the annual increase in the city's total tax levy, and new commercial development following the introduction of transit may help to stabilize the tax base. Both factors will help determine the ultimate change in tax rates and revenue.

- **Somerville's highly mobile and increasingly diverse population could change rapidly even without displacement.** One in six Somerville residents moved to the city within the past year, and through this turnover the city continues to become more racially and ethnically diverse. If the characteristics of newcomers change substantially, they could swiftly change the face of the city even if outmigration remains unchanged. Increased housing displacement would make that demographic transformation even more rapid.

In addition to the analysis summarized above, this report also presents a set of indicators that can be used to track how the City of Somerville and the GLX station areas change over the next decades as the new transit service becomes a reality. The indicators measure the city's demographic diversity, housing cost burden, auto ownership and usage, and livability. Most significantly, we present for the first time a set of indicators that seeks to distinguish between natural housing turnover and the displacement of households that wish to remain in Somerville, but can no longer afford to do so. These indicators can be tracked over time, in some cases on an annual basis, to help adjust public policies or identify where additional interventions are necessary.

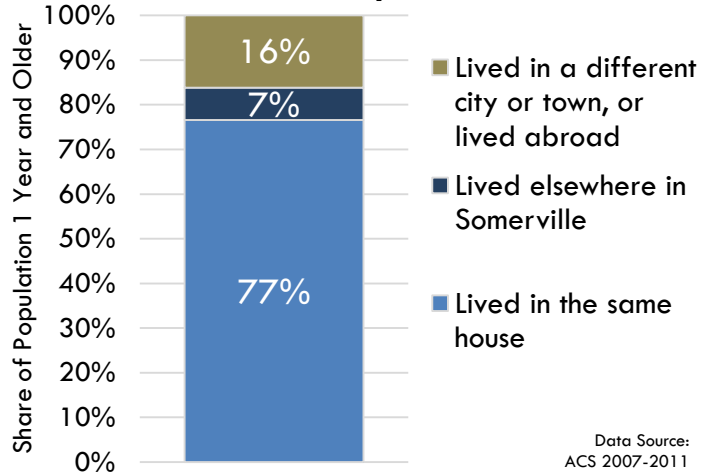
MAPC will continue to work with community partners to help implement strategies to prevent and mitigate displacement. The agency has catalogued these strategies in a series of reports on Managing Neighborhood Change, available at <http://www.mapc.org/neighborhood-change>.

A Mobile and Diversifying City

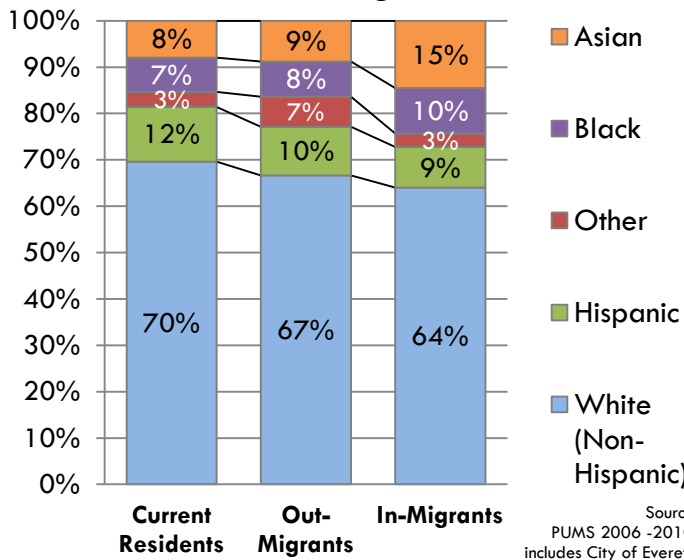
Somerville is a highly mobile community. 16% of residents moved to the city within the past year. 7% of residents moved from one house to another within Somerville over the past year.



Where Did Somerville residents live last year?



Who is moving in? Who is moving out?



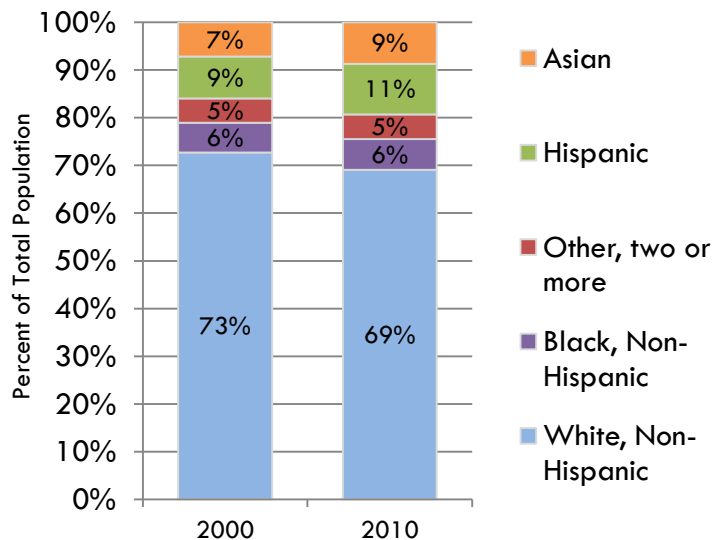
People of color are more likely to move out of the city than are White residents, but people moving in are more diverse than the city overall. 36% of in-migrants are people of color, versus 30% of the population.



The city became more diverse from 2000 to 2010, driven largely by increases in the Asian and Hispanic populations. The White non-Hispanic share declined from 73% to 69%, consistent with regional trends.



How has the City changed?



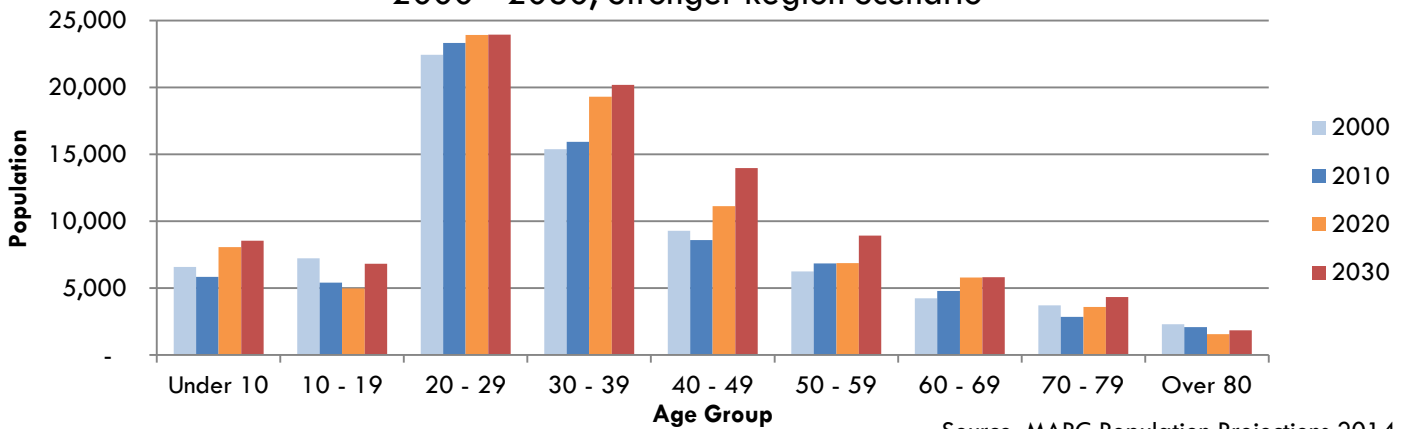
Future Population Growth and Housing Demand

MAPC projects that the city's population will grow at least 14% and as much as 20% over the next two decades, which equals 12,000 to 19,000 new residents.



Much of this growth would be driven by people age 30 to 50 who will choose to stay in the city; as a result, the number of school age kids would rebound and grow.

Somerville Population by Age, 2000 - 2030, Stronger Region Scenario



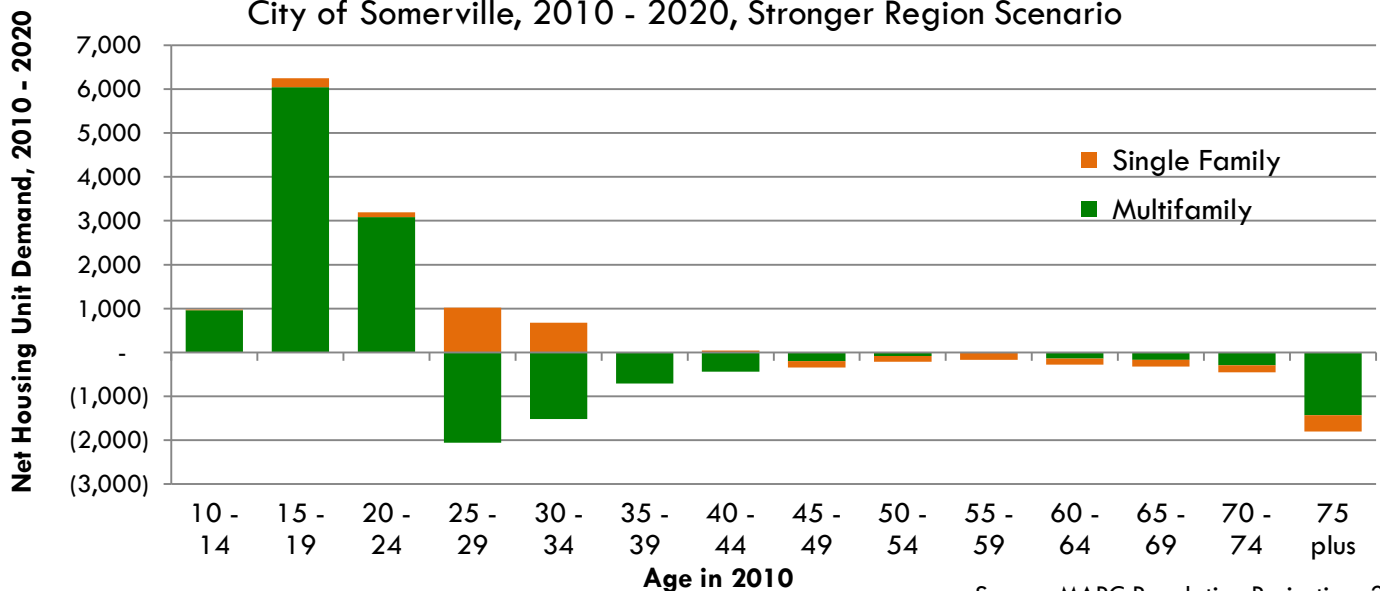
Source: MAPC Population Projections 2014

Population growth, combined with smaller household sizes, will generate demand for at least 6,300 new housing units and as many as 9,000 new units by 2030.



Householders born after 1985 will need thousands of apartments and condos. Older households will free up many such units as they move into single family homes or move out of the city.

Net Housing Unit Demand by Age, City of Somerville, 2010 - 2020, Stronger Region Scenario

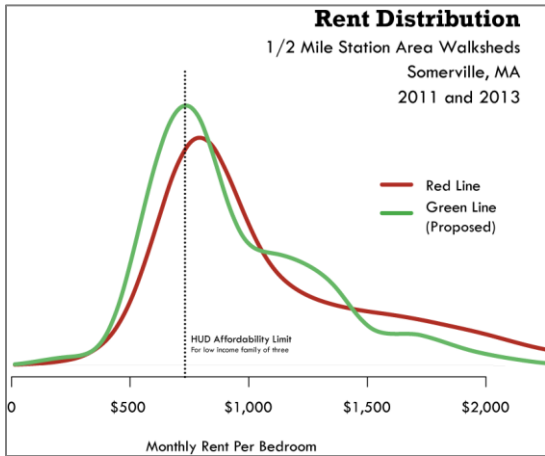
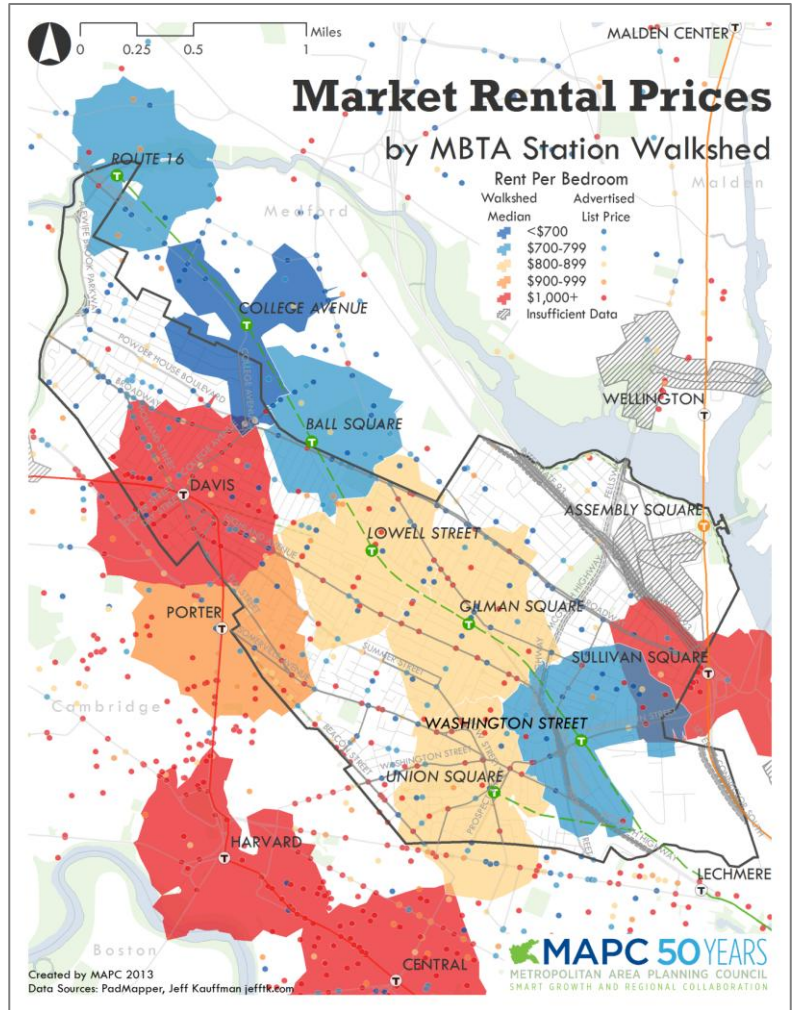


Source: MAPC Population Projections 2013

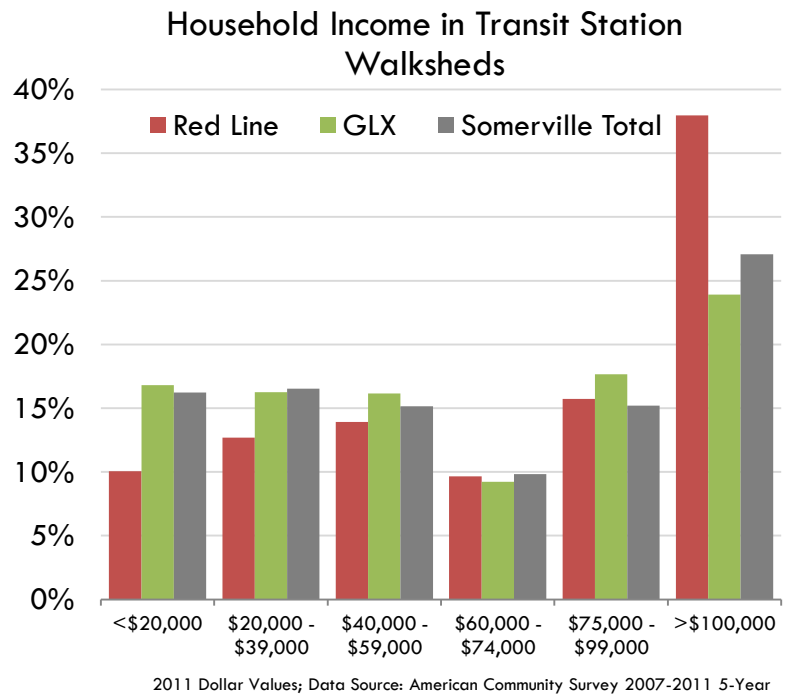
The "Transit Premium" and Income Diversity

Apartments near transit stations cost 20% to 29% more than equivalent units further away. The average rent (per bedroom) near Davis Square is more than \$1,000 per month. In contrast, apartments near the proposed Green Line stations rent for \$700 to \$900 per bedroom.

40% of apartments in the GLX corridor are affordable to low-income households but only 29% of apartments near Red Line stations.



As a result, high-income households are much more prevalent near Red Line stations than elsewhere in Somerville, and low-income households are much less common near those stations.

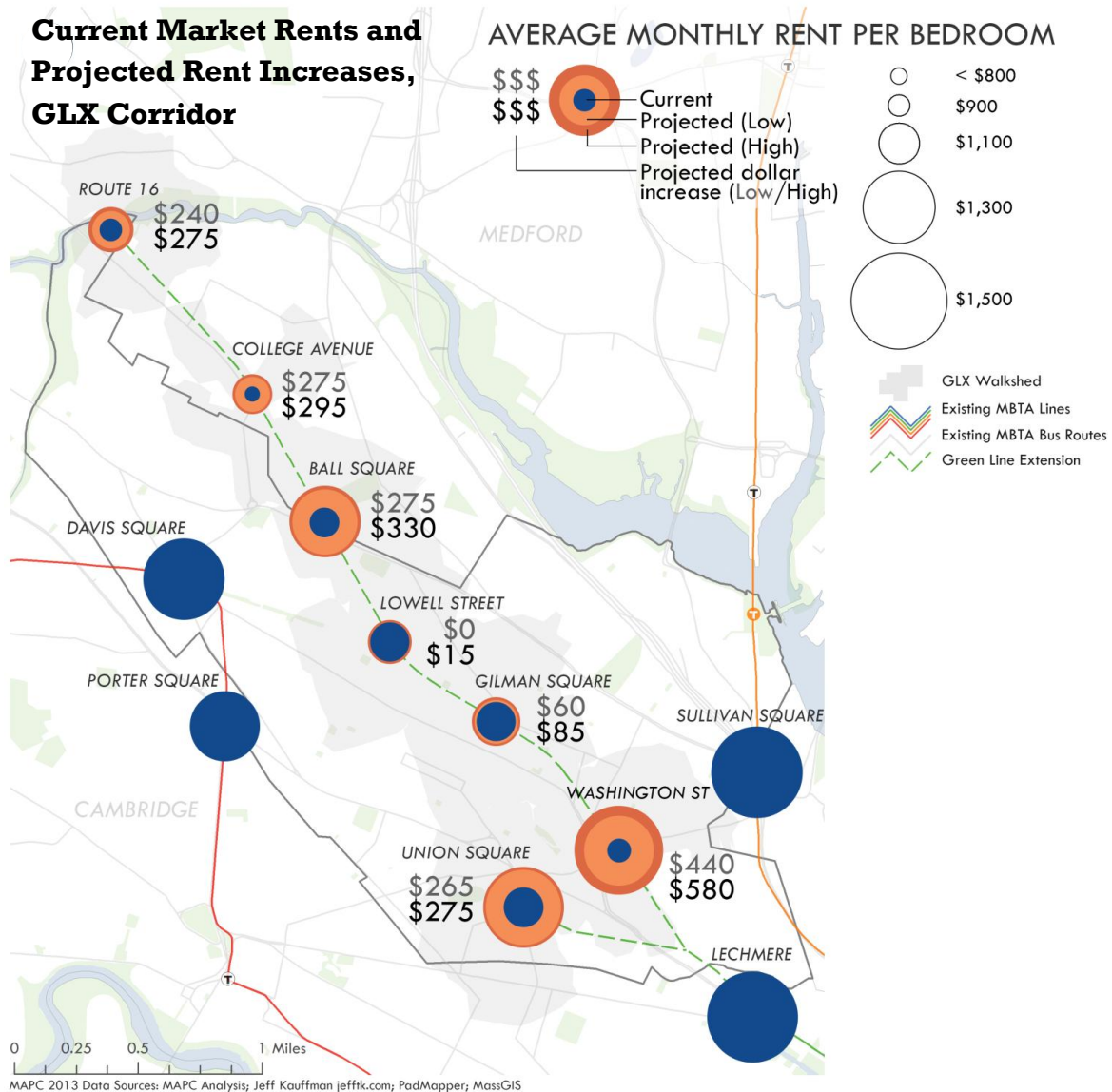


Projected Rent Increases

MAPC estimated the average rent increase around each new GLX station if they command the same “transit premium” as existing stations such as Davis and Porter



Some stations could see the average rent climb more than 25% and as much as 70%. Washington Street, Ball Square, and Union Square might see the biggest increases.



If these rent increases occur, 700 to 800 lower-income renter households could become newly cost-burdened, and conditions would worsen for the 3,600 lower-income renters in the GLX corridor who are already housing cost-burdened.

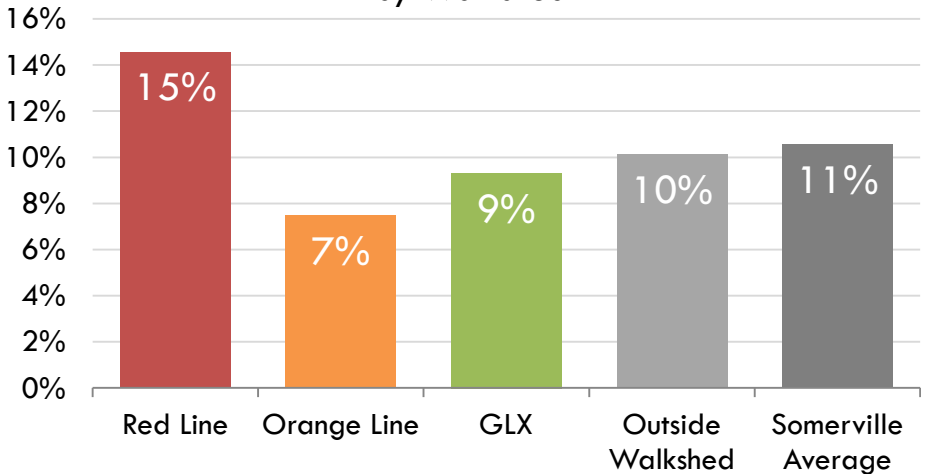
Condominium Conversion Potential

Condominium conversions reduce the number of rental units on the market, making it harder for renters to stay in Somerville. Two- and three-family homes are more likely to be converted than units in larger buildings.

MAPC estimates that 15% of the 2- and 3-family homes around Davis and Porter Squares have been converted to condominiums, compared to just 11% citywide and 9% in the GLX corridor.



Condominium Conversions in 2-3 Family Homes as Percent of Total 2-3 Family Residential Units by Walkshed



If GLX station areas achieved the same level of condominium conversion as seen around the Red Line, up to 475 rental units in 2- and 3- family homes may be converted to condominiums.



Gilman Square, Washington Street and Union Square station areas are at the greatest risk.

Projected Condo Unit Conversions by GLX Station Area

